

CONFORMED COPY

CREDIT NUMBER 3307 - IN

Project Agreement

(Uttar Pradesh Third District Primary Education Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTAR PRADESH

Dated February 23, 2000

CREDIT NUMBER 3307 - IN

PROJECT AGREEMENT

AGREEMENT, dated February 23, 2000, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the STATE OF UTTAR PRADESH, acting by its Governor (Uttar Pradesh).

WHEREAS: (A) by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred thirty-two million three hundred thousand Special Drawing Rights (SDR 132,300,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Uttar Pradesh agrees to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Uttar Pradesh, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Uttar Pradesh declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project, and shall cause EFAPB to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, Uttar Pradesh shall, and shall cause EFAPB to, carry out the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. Uttar Pradesh shall, and shall cause EFAPB to, carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) At the request of the Association, Uttar Pradesh shall, and shall cause EFAPB to, exchange views with the Association with regard to the progress of the Project, the performance of their respective obligations under the Project, and other matters relating to the purposes of the Credit.

(b) Uttar Pradesh shall, and shall cause EFAPB to, promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Uttar Pradesh and EFAPB of their obligations under the Project.

Section 2.05. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, Uttar Pradesh shall, and shall cause EFAPB to:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and Uttar Pradesh, a plan as to Uttar Pradesh's intentions to ensure the sustainability of the Project and incorporating the results of the second review conducted pursuant to Section 3.05 of the Development Credit Agreement and paragraph 11 of Schedule 2 to this Agreement; and

(b) afford the Association a reasonable opportunity to exchange views with Uttar Pradesh and EFAPB on said plan.

ARTICLE III

Financial Covenants

Section 3.01. (a) Uttar Pradesh shall, and shall cause EFAPB to, maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect in accordance with sound financial management and accounting practices the operations, resources and expenditures related to the Project of the departments or agencies of Uttar Pradesh responsible for carrying out the Project or any part thereof and of EFAPB.

(b) Uttar Pradesh shall, and shall cause EFAPB to:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such Fiscal Year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such Fiscal Year as so audited, and (B) an opinion on such financial statements, records and accounts and a report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 3.02. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, Uttar Pradesh shall, and shall cause EFAPB to, carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 3.01 in order to enable EFAPB, not later than August 31, 2000 to complete the design and software for such system, and not later than December 31, 2000, or such later date as the Association shall agree, to fully operationalize such system and to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and

(B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and

(B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, Uttar Pradesh shall cause EFAPB to prepare, in accordance with the format acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and Uttar Pradesh thereunder shall terminate on the earlier of the following two dates:

in (i) the date on which the Development Credit Agreement shall terminate
accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Uttar Pradesh of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

For Uttar Pradesh:

Chief Secretary
Government of Uttar Pradesh
Lucknow
Uttar Pradesh, India

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Uttar Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Uttar Pradesh shall designate in writing, and Uttar Pradesh shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in New Delhi, India, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edwin Lim

Country Director, India

STATE OF UTTAR PRADESH

By /s/ R. Ramani

Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost more than \$20,000 equivalent per contract shall be procured under contracts awarded in accordance with procedures satisfactory to the Association.

(b) Goods (except vehicles) estimated to cost \$300,000 equivalent or less per contract, may be procured under contracts awarded in accordance with procedures satisfactory to the Association.

2. Procurement of Small Goods (Except Vehicles)

(a) Goods (except books and vehicles) estimated to cost \$50,000 equivalent or less per contract, up to an aggregate amount not to exceed \$5,860,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(b) Goods (except books and vehicles) estimated to cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of

the Guidelines.

(c) Books estimated to cost \$30,000 equivalent or less per contract, up to an aggregate amount not to exceed \$8,260,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

(d) Books estimated to cost \$5,000 equivalent or less per contract, up to an aggregate amount not to exceed \$17,400,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

3. Vehicles

Vehicles estimated to cost \$100,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,550,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$36,230,000 equivalent, may:

(i) be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, up to an aggregate amount not to exceed \$1,800,000 equivalent;

(ii) be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully;

(iii) be procured under the unit/piece rate systems through qualified contractors or registered non-governmental organizations, other beneficiary associations or Village Panchayats; or

(iv) as a last resort, be carried out by force account if they meet the requirements of the provisions of paragraph 3.8 of the Guidelines, up to an aggregate amount not to exceed \$2,260,000 equivalent.

5. Contracts for Procurement of Teaching Materials, School Facility Improvement, Hiring of Vehicles, and Operation and Maintenance of Equipment and Vehicles

(a) Contracts for procurement of teaching materials referred to in paragraph 2 (c) of Part A of Schedule 1 to the Development Credit Agreement, estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$12,600,000 equivalent, may be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines.

(b) Contracts for school facility improvement, hiring of vehicles, and operation and maintenance of equipment and vehicles referred to in paragraph 2 (c) of Part A of Schedule 1 to the Development Credit Agreement, estimated to cost \$20,000 equivalent or less per contract may:

(i) be procured by direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines up to an aggregate amount not to exceed \$560,000 equivalent; or

(ii) up to an aggregate amount not to exceed \$2,240,000 equivalent, be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of

paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with an annual procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for works estimated to cost more than the equivalent of \$300,000; (b) each contract for goods estimated to cost more than the equivalent of \$300,000; (c) the first contract for works awarded under paragraph 1(a) of Part C of this Section I; and (d) the first contract for goods awarded under paragraph 1(b) of Part C of this Section I, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications or Single Source Selection

Services for: (a) publicity, training and workshops; and (b) in the areas of information, education, communication, civil works, management information system and educational research estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$21,790,000 equivalent, may:

(i) be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines; or

(ii) with the Association's prior agreement (in the case of services estimated to cost \$1,000 equivalent or less per contract), be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the

Consultant Guidelines.

2. Individual Consultants

Services for institutional strengthening under the Project estimated to cost \$10,000 equivalent or less per contract, up to an aggregate amount not to exceed \$17,900,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with an annual selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

(d) Without limitation on any other provisions of this paragraph 2, terms of reference for all consultants' services estimated to cost the equivalent of \$12,000 or more per contract in the case of firms, and the equivalent of \$5,000 or more per contract in the case of individuals, shall be furnished to the Association for its prior review and approval, and the contracts for such services shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

1. Uttar Pradesh shall, and shall cause EFAPB to, carry out the Project in accordance with: (i) the DPEP Guidelines; and (ii) the Project Implementation Plan.

2. Uttar Pradesh shall, and shall cause EFAPB to, as appropriate: (i) by December 31, 2000, complete the appointment of individuals with adequate skills, qualifications and experience to the positions in SPO, each Divisional Office, each DPO, SCERT and SIEMAT as specified in the Project Implementation Plan and establish a program for their training; and (ii) at all times maintain SPO, Divisional Offices, DPOs, DIETs, SCERT and SIEMAT with powers, functions, staff, resources and facilities necessary for the effective implementation of the Project and take further steps to develop their

capacity.

3. Uttar Pradesh shall, by December 31, 2000 complete the staffing of DIETs or equivalent institutions in Project Districts.

4. During each Joint Review Mission, Uttar Pradesh shall, and shall cause EFAPB to, furnish to the Association with an updated estimate of the ratio of teacher to students in each Project District.

5. Uttar Pradesh shall, and shall cause EFAPB to, ensure that no involuntary resettlement arises from any use of land, or change of land use for the Project, except to the extent that the Association agrees in writing prior to any land use that the arrangements for such involuntary resettlement, if any, are satisfactory to the Association.

6. Uttar Pradesh shall, and shall cause EFAPB to:

(a) implement the Project in accordance with strategies for improving primary education of children from socially disadvantaged groups as set forth in the Project Implementation Plan; and

(b) implement the Project in all tribal areas (as designated by Uttar Pradesh in accordance with applicable state laws) in accordance with procedures and strategies for the delivery of the Project benefits to tribal people as set forth in the Project Implementation Plan.

7. Uttar Pradesh shall, and shall cause EFAPB to, carry out by December 31, 2003 and March 31, 2005 assessment studies on student learning achievement.

8. Uttar Pradesh shall:

(a) take all such actions as may be necessary or appropriate in order to require and enable the Village Panchayats to implement the relevant activities under Parts A and B.5 of the Project; and

(b) cause EFAPB to implement the relevant activities under Parts A and B.5 of the Project through Village Panchayats in accordance with the provisions of this Agreement.

9. Uttar Pradesh shall cause EFAPB to formulate and carry out a time bound program of training, satisfactory to the Association, in order to enable the Village Panchayats to implement the relevant activities under Parts A and B.5 of the Project.

10. Uttar Pradesh shall take all such actions as may be necessary or appropriate in order to require and enable EFAPB to carry out its obligations under the Memorandum of Understanding and the functions entrusted to it under this Agreement, all in a manner satisfactory to the Association.

11. Uttar Pradesh shall, and shall cause EFAPB to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare and furnish to the Association and the Borrower on two occasions by November 30, 2003 and February 28, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph on the progress achieved in the carrying out of the Project during the period preceeding the date of each such report; the first such report shall also include the recommendations of third party evaluations carried out under the Project on: (i) para- teachers; (ii) double shifts; (iii) alternative schooling; (iv) early childhood centers; (v) impact of teacher training and support systems; and (vi) VEC school management, and set forth the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(c) conduct in-depth reviews with the Association and the Borrower by

December 31, 2003 and March 31, 2005, or such later date as the Association shall request, of the respective reports referred to in sub-paragraph (b) of this paragraph, and after the first review, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the first report and the Association's views on the matter.

